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23 May 1983

MEMORANDUM FOR:

Chief, Analytic Methodology Research Division  
Office of Research and Development, DDS&T

FROM : Charles Waterman, VC/NIC

SUBJECT : NIC Participation in Testing Expected Utility Model

1. Various members of the National Intelligence Council have been following with interest the development of Expected Utility Model as a tool for intelligence analysis. We would now like to propose that the NIC act as a focal point in running a number of additional tests of the model. Each of the questions we suggest below for testing is also a key issue in analytical work presently underway in the NIC.

2. As we discussed we believe the following issues lend themselves to expected utility analysis. They are listed in a rough order of priority, with points of contact indicated for each.

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3. We understand the difficulties of attempting to cope with Soviet issues using this model, particularly that of developing sufficient information on groups within the Soviet Union which influence policy decisions. Nonetheless, we believe testing the model in this area--especially testing how it performs with limited data--is important. We, therefore, propose that one question of the following four be selected for inclusion:

A. What combination of events or circumstances would cause the Soviets to divert economic resources from military to non-military ends?

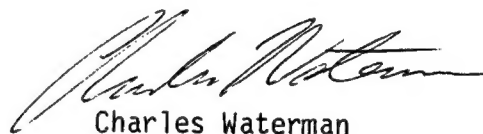
B. Will the Soviets pull out of Afganistan or significantly reduce their commitment there?

C. Will the Soviets sign a security assistance treaty with Nicaragua?

D. At what point would Cuba become an unacceptable drain on Soviet resources?

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